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June 24, 2005

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following information requests:

From the Attorney General:

AG-8-11 AG-8-13 AG-15-6

From the Department:

DTE-14-1

From the UWUA Local 273:

UWUA-3-7 UWUA-3-20 UWUA-3-25 UWUA-3-34 UWUA-3-50

From MASSPOWER:

MP-1-12

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Per Ground Rules Memorandum issued June 13, 2005:

Paul E. Osborne, Assistant Director – Rates and Rev. Requirements Div. (1 copy)

A. John Sullivan, Rates and Rev. Requirements Div. (4 copies)

Andreas Thanos, Assistant Director, Gas Division (1 copy)

Alexander Cochis, Assistant Attorney General (4 copies)

Service List (1 electronic copy)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
EIGHTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: June 24, 2005

Responsible: Earl M. Robinson, Consultant (Depreciation)

AG-8-11 Net Salvage - Please identify the dollar level of retirement activity, gross salvage, and cost of removal by year for the period 1980 through 2003 associated with relocation of both mains and services (separately). Further, specifically identify the amounts received by the Company in association with or related in any manner to such activity, whether the amount was booked as a gross salvage, a reduction to cost of removal, or a decrease in the cost of the replacement plant by year for Account 376 and 380.

Response: Retirement costs are not identified by specific reasons for main/service retirements or replacements. Cost to remove pipe would be charged to the replacement job order on a relocation. Only pipe that has been abandoned in place would be charged to cost of removal.

No gross salvage is recorded for a relocation. Any cash received would be netted against the new addition.

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RESPONSE OF BAY STATE GAS COMPANY TO THE
EIGHTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: June 24, 2005

Responsible: Earl M. Robinson, Consultant (Depreciation)

AG-8-13 Net Salvage - If an item of plant is retired with a replacement addition occurring and an outside party provides \$1,000 associated with the replacement, how is the \$1,000 accounted for (e.g., \$1,000 gross salvage, \$1,000 reduction to the replacement addition cost, a 50/50 split of the \$1,000, etc.)? Further, please provide full justification for whatever methodology is employed. In addition, identify when the Company first implemented such policy.

Response: If the item of plant is a gas main or service, then the \$1,000 is considered a contribution in aid of construction and a reduction to the replacement addition cost. If the item of plant being replaced is equipment such as a vehicle, office equipment, etc, then the total cost of the replacement item is an addition to plant. The \$1,000 is considered salvage and charged to the reserve salvage account. The old item being replaced is retired at the original book cost and treated as a normal retirement.

The Company has been netting contributions in aid of construction against additions going back to the seventies per order from the DTE. Prior to the order Account 252 was used. Salvage received for equipment accounts related to trade-ins has been in place for years. A 1989 policy book includes the document.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTEENTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: June 24, 2005

Responsible: John E. Skirtich, Consultant (Regulatory Requirements)

- AG-15-6 The Company states that the O&M expense lead periods were different from purchased gas working capital because they are determined as between Bay State and the various vendors of goods and services. How often is Bay State billed for these goods and services? Provide a chart that depicts the inflow and outflow of money on a monthly basis associated with these goods and services.
- Response: Exhibit BSG/JES-2 ("Exhibit") contains the lead lag study. Schedule WC-4 lists the gas purchases by vendor showing the amount paid and the date paid. Generally, gas is purchased for the calendar month with billing from the vendor received around ten days from the end of the month and due shortly thereafter. Large payments are made around that time for gas costs. As shown on Schedule WC-4 the average lag for gas purchase is 37.34 days.
- Other goods and services are incurred daily with the service periods varying depending on the service provided. For example labor is provided every day and paid to employees based on the pay period. Benefits for the month are paid around the end of the month. Material and Supplies are incurred every day by a variety of vendors and are billed based on when the service was provided. The average lag for each major component of O&M expense was developed and shown on Schedules WC-8 through WC-15. The individual lags were averaged on WC-7 to arrive at the 20.62 days.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FOURTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 24, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-14-1 Refer to the Company's responses to DTE 6-9 and DTE 6-10 dated June 1, 2005. Please identify the mechanism that allows the Company to utilize the compliance phase of the proceeding to remove the proposed postage adjustment, and to include test year postage expense in the O&M expenses subject to the general inflation factor when that number is rerun for compliance. Provide all rules, regulations, and other documentation to support this process.

Response: I am not a lawyer, but my understanding of the Department's rate setting practice for postage is as follows. Postage is normally adjusted for known increases. The inflation factor adjusts all miscellaneous O&M that are not individually adjusted. Since a formal announcement of an increase has been provided, even though the date of commencement of the increase has not yet been established, it is reasonable that the increased expense be recovered as part of an individual adjustment, and if not there then in the revenue requirement categories of costs that are subject to the inflation allowance. I personally am unaware of this particular situation being presented in any prior rate proceeding before the Department relative to postage expense.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM UWUA LOCAL 273
D. T. E. 05-27

Date: June 24, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

UWUA-3-7 (Skirtich, p. 13-14) Please prepare table listing, in percentage amounts, the assumed or contractual increases for (i) union employees and (ii) non-union employees for the years 2005 and 2006 (or relevant fractions of those years), or references to where these percentages can be found in the company's filing.

Response: (i) The contractual increases for union employees are shown on page 2 of Exhibit BSG/JES-1; Workpaper JES-6. Line 8 shows the 2005 increases and line 14 lists the 2006 increases by union.

(ii) The increases for non-union employees are shown on page 3 of Exhibit BSG/JES-1; Workpaper JES-6. Line 8 shows the 2005 increases and line 14 lists the 2006 increases.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM UWUA LOCAL 273
D. T. E. 05-27

Date: June 24, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

UWUA-3-20 (Skirtich, p. 34) Please provide any documents that Mr. Skirtich relied on or has in his possession regarding the past history (i) of the USPS requesting rate increases (ii) of the USPS being allowed to or actually implementing such increases and (iii) the lag between past requests and actual dates of implementation. Also include a copy of the "request seeking higher rates" to which he refers.

Response: The postage adjustment made in this case was based on current information. The Company does not have any documents regarding the past history of USPS rate increases. The USPS' news release notifying the public of this filing and a separate news article is the only documentation that the Company has related to the USPS' request seeking higher rates. Attachment UWUA-3-20 contains both documents.



POSTAL NEWS

FOR IMMEDIATE RELEASE
April 8, 2005

Contact: Media Relations
202-268-2155
News Release No. 05-030
www.usps.com

ESCROW RATE CASE FILED

Washington, D. C. – The U.S. Postal Service filed a rate case with the Postal Rate Commission (PRC) Friday (4/8) seeking an expedited recommended decision to raise rates and fees 5.4 percent for almost all categories.

The filing is unique in that the decision to seek a rate increase is due solely to the requirement of Public Law 108–18 that the Postal Service establish a \$3.1 billion escrow fund. The law does not stipulate how the funds are to be used.

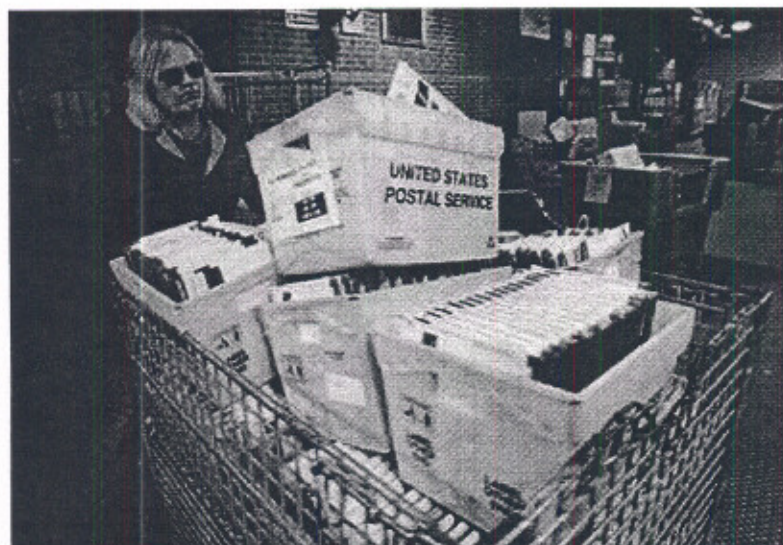
The Postal Service rate case calls for an almost uniform 5.4 percent rate and fee increase spread over all classes and subclasses of mail and special services. The postage for a one-ounce piece of First-Class Mail would go from 37 to 39 cents in early 2006.

Should legislation be enacted that eliminates the escrow funding requirement, this rate case will be withdrawn. The last postal rate increase was three cents on June 30, 2002.

Information on the filing can be found at www.usps.com/ratecase.

Post office seeks higher mail prices

First-class postage seen rising 2 cents next year



Win McNamee / Getty Images file

Postal worker Gregory Hixson sorts parcels in Merrifield, Virginia. The U.S. Postal Service filed a request Friday seeking higher postal rates.

The Associated Press

Updated: 12:43 p.m. ET April 8, 2005

WASHINGTON - The Postal Service filed a request Friday seeking higher rates.

The agency wants a 2-cent increase in first-class mail, and similar increases for other types of mail, to take effect early next year. It would increase the rate for regular mail to 39 cents from 37 cents.

The agency said that it is seeking the increase, 5.4

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South Florida 2-Bedroom Condo, \$100 OFF	\$99	Extra Holidays		
5-Night Caribbean Cruise on Top-Rated Ship	\$290	CruiseDeals.com		

The agency has sought congressional action to eliminate that requirement. If that happens, postal officials said, the rate increase request will be withdrawn.

Postage rates last went up in 2002.

Congress mandated the escrow requirement in 2003 when it passed a law reducing the amount of money the agency has to pay into its retirement system, which auditors said was being overfunded. Instead Congress ordered the money to be put into the escrow fund.

Elimination of that fund has been included in bills that would make other changes in postal operations, but Congress has not acted on the proposals.

Friday's rate increase request was filed with the independent Postal Rate Commission, which will now hold hearings and collect information before ruling on the proposal. That process can take as long as 10 months, meaning that if the rate increase is approved it wouldn't take effect until early next year.

While electronic communications have meant less business for the post office, officials have said that were it not for the escrow requirement the agency would not need to seek an increase for at least another year.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM UWUA LOCAL 273
D. T. E. 05-27

Date: June 24, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

UWUA-3-25 (Skirtich, p. 41) Please confirm, as shown in JES-8, that the adjustment for amortization of Goodwill is a negative adjustment, meaning that it is being removed from the costs for which recovery is being sought in this case.

Response: Correct, the amortization of goodwill is being removed from the cost of service. As shown on Schedule JES-1, column 2, line 6, the Per Books number is \$15,036,749. This amount is being reduced by \$8,483,854 which includes the elimination of the amortization. Please see Schedule JES-8, page 1 of 3.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM UWUA LOCAL 273
D. T. E. 05-27

Date: June 24, 2005

Responsible: Danny G. Cote, General Manager

UWUA-3-34 (Sched. JES-6, p. 14) Please provide a breakdown or estimate of the percentage of the company's postage expenses incurred on first-class mail versus other types or classes of postal delivery.

Response: Please see Bay State's response to DTE-6-5.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM UWUA LOCAL 273
D. T. E. 05-27

Date: June 24, 2005

Responsible: Danny G. Cote, General Manager

UWUA-3-50 (Cote, p. 25) What considerations affect the decision to replace old pipe with cathodically protected steel versus plastic?

Response: Please refer to Bay State's response to DTE-3-16.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM MASSPOWER
D. T. E. 05-27

Date: June 24, 2005

Responsible: Danny G. Cote, General Manager

MP 1-12 Please refer to the testimony of Danny Cote, Exh. BSG/DGC-1, pps. 50-53. In discussing the facilities needed to provide service to the MASSPOWER project and MMWEC's Ludlow power plant, Mr. Cote identifies those facilities as the "Main Line." Please disaggregate the cost of facilities needed to provide service to the MASSPOWER plant and the Ludlow plant. If certain costs to provide the services are considered joint, please identify those costs, allocate and assign a portion of the joint costs to each power facility and justify the allocation method used to allocate such joint costs. Please provide all calculations and workpapers.

Response: In 1992 – 1993, Bay State constructed at a cost of \$18,856,489 for a 16" "Main Line" to Serve MASSPOWER as part of the "MASSPOWER / Monson and Palmer Expansion Project".

In 2002, Bay State installed a valve, insulating joint and tap fitting at a cost of \$175,855 to serve MMWEC as part of the "Interconnect with 20" MMWEC Project".

The Company considers "MASSPOWER / Monson and Palmer Expansion Project" and "Interconnect with 20" MMWEC Project" as two separate projects and investments. As such, no portion of the original investment in the 16" Main Line has been assigned or allocated to the MMWEC project.